

## Franchise Tax Board

## SUMMARY ANALYSIS OF AMENDED BILL

Author: Briggs Analyst: Roger Lackey Bill Number: AB 641  
Related Bills: See Prior Analysis Telephone: 845-3627 Amended Date: 01/07/2001  
Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** Targeted Tax Areas/Credits and Deductions and Approve Expansion of No More Than 15%

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended \_\_\_\_\_.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended \_\_\_\_\_.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO \_\_\_\_\_.

☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED  
May 30, 2001, STILL APPLIES.

☒ OTHER - See comments below.

**SUMMARY**

This bill would:

- Expand a Targeted Tax Area (TTA) by no more than 15%.
- Add agricultural services and business services to the list of trades or businesses that may claim TTA tax incentives.
- Amend the TTA hiring credit to reference the Workforce Investment Act of 1998.

This analysis will not address the bill's provision regarding government contracts that would be performed within a TTA.

**SUMMARY OF AMENDMENTS**

The January 7, 2002, amendments would eliminate the requirement that any expansion of the TTA include definitive boundaries that are contiguous to the existing area of the TTA. The amendments also make technical changes. As a result of the amendments, a new implementation consideration has been included. In addition, a revised revenue estimate is included below. The remainder of the department's analysis of the bill as amended May 30, 2001, still applies.

Board Position:

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<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

Legislative Director

Date

Brian Putler

1/14/02

## POSITION

Pending.

## IMPLEMENTATION CONSIDERATION

Since this bill would not require any expansion of the TTA to be contiguous to its existing area, any area within California that is less than 15% of the size of the TTA could be considered for expansion into the TTA. This could be confusing for both the taxpayer and the department in determining a taxpayer's eligibility for the TTA tax incentives.

### Tax Revenue Estimate

The prior revenue analysis still applies, but the fiscal years were shifted to 2002-03 and beyond.

Estimated Revenue Impact As Amended January 7, 2002 For Taxable Years After December 31, 2001 (In \$ Millions)			
Fiscal Years	2002-03	2003-04	2004-05
Revenue Impact	(0.5)	(1.0)	(1.5)

Any possible changes in employment, personal income or gross state product that might result from this provision are not taken into account.

The estimates above reflect the May 30, 2001, version of the bill with an assumed effective date of tax years beginning after December 31, 2001.

## LEGISLATIVE STAFF CONTACT

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